

**STABILISATION, RECOVERY AND STRUCTURAL ADJUSTMENT WITH  
GROWTH AND ABSOLUTE POVERTY REDUCTION: An Interim Political  
Economic Agenda for Namibia?**

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Even the longest journey  
Starts with the first step.

- Confucian/Maoist Proverb

To plan is to choose,  
Choose to go forward,

- Mwalimu Julius Nyerere

The bird of time has but a little way to fly.  
And lo the bird is on the wing.

- Omar Khayyam

**I.**

Mindless Pragmatism or Pragmatic Radicalism?

Except for the "reduction of absolute poverty" clause the title is straight IMF/World Bank at least at the headline level. Even the absolute poverty rubric is Bankspeak albeit of the 1970s. That may seem a strange or perverse way of looking at the political economic agenda for independent Namibia. SWAPO - the certain overwhelming winner in any reasonably fair election - has not fought the liberation struggle to preserve or soften the edges of the status quo. A "kinder, gentler" dual economy with the white rider using his whip and spurs less frequently on his black steed (to paraphrase Lord Malvern on "partnership") is not what SWAPO's Political Economic Programme is about. Nor is the basic pre-planning document Namibia: Towards Economic Reconstruction and Development a guide to marginalism. So, surely, the immediate political economic agenda for a SWAPO government must be radical

demolition and reconstruction? Surely talk of measures to buy in settlers and achieve special relationships with the EEC; to keep Anglo American - De Beers in play and to put together a donor consortium a la Zimbabwe's Zimcord Conference are at best irrelevant and at worst objectively neo-colonialist? Or are they?

SWAPO for one evidently thinks they are not. Its late 1988 economic policy statement is quite explicit on several points:

- a. potentially the Namibian economy is a growth one, rather like Botswana;
- b. South Africa has made a shambles of it by apartheid, war and fiscal imprudence;
- c. SWAPO must, as the government of independent Namibia, sustain and revive the economy as well as change it;
- d. in that process there is room for settlers and for foreign firms if they are willing to accept that an independent Namibia must be ruled by Namibians and its economic policy directed to the welfare of all Namibians with special reference to those who so far have had nothing or next to nothing;
- e. while major changes will be inevitable, the articulation and timing as they affect the vital economic interests of settlers and companies of good-will are negotiable.

Logically, given that strategic stance, detailed policy prescriptions are absent. Equally logically so is any assertion that sweeping nationalisation or total redistribution of land, let alone the end of a role for the private sector, are short term agenda topics.

Has SWAPO lost its convictions or its nerve? There is little reason to assume any such explanation. What SWAPO has done is look at Zimbabwe and Botswana in contrast to 1975-81 Mozambique and Angola and draw certain conclusions about what type of transition to a nationally formulated (even if constrained) political economic strategy and a nationally influenced economy is more likely to benefit Namibians in the short run and to lay a foundation for more basic

changes at a later stage. This is not based on any thesis that Angola and Mozambique ever had the Botswana/Zimbabwe option open to them but on the belief that it may be available to Namibia and, if so, should be grasped.

If that contention is accepted, three political economic challenges confront Namibia:

1. stabilisation - halting the 1977-1987 economic erosion and averting a sharp transitional fall of output, exports and state revenue at independence;
2. recovery - restoring a forward dynamic to output and public services per capita (with a bias in favour of poor Namibians rather than a bias against moderately well-off ones) and building a fiscal and earned import capacity (export) base adequate for sustained political economic reconstruction;
3. structural adjustment - in production, income distribution, access to public services (especially human investment and infrastructure), international trade (both externally and regionally) and ownership (including joint ventures and domestic private as well as public sector expansion).

Whether this is or is not a radical agenda depends on, a.) what is included in structural adjustment and, b.) what the future intentions of those making political economic decisions are. Oddly the distinction probably does not turn on any instant "dependence reduction" formulation, but on whether or not rapid reduction (or diversification) of dependence on RSA is integral to the programme and whether certain structural adjustment steps (notably replacing Walvis Bay if RSA declines to end its illegal occupation thereof at the same time as in the rest of Namibia) are viewed as temporally parallel to - indeed key components in - stabilisation. Emphasis on absolute poverty reduction via particular emphases in raising production, employment and access to basic productive services (e.g. health, education, water, agricultural and other extension) is an important issue but not a test of radicalism in the normal use of that term (e.g. it is prominent in Mozambican and, in rather different ways, Botswanan policy but notably absent from Angolan as well as, for quite different reasons, Malawian).

## II.

### Stabilisation

Stabilisation means halting negative trends. Its association with contraction is premised on the assumption reallocation (e.g. from 'homelands' and 'police' functions) and new resources (e.g. from external support) cannot be enough to avoid cutting even unequivocally desirable private and (especially) public consumption and investment levels. In the context of independent Namibia that is a needlessly pessimistic assumption.

Over 1977-87 per capita output in Namibia fell sharply and net investment (excluding war related infrastructure) probably went negative overall and certainly for the directly productive sectors. Wasteful expenditure (at least from a Namibian perspective) - on parallel 'Bantustan' structures and creating a "black middle class" in the hopes it would prefer moderately comfortable incomes under RSA to dignity and independence with less certainty as to income (a hope which has failed in respect to most miners, other industrial/financial workers, teachers, nurses and businesspersons) and on building multiple structures of repression - has created a large budget deficit even though the tax/Gross Territorial Product ratio is very high. All of the main productive sectors (except perhaps diamonds) are running down in terms of underlying capacity to sustain or expand output even if some have recovered somewhat from mid-1980s current output nadirs.

The international market prospects for exports - about 90% of goods produced - are mixed. For diamonds they may be promising and for karakul uncertain. Beef and - less clearly - fish depend on EEC market access. Base metals and - at least to the mid-1990s - uranium oxide have fairly unpromising prospects albeit for a 1989 base much less bleak than in 1985-86.

Were that the whole story, stabilisation might be fairly easy. Fiscal restructuring to cut waste could turn the budget around. The lowering of political risk should encourage reinvestment and external resource inflows. A coherent, credible economic strategy pursued with conviction could logically achieve stabilisation with growth within a year.

But Namibia's stabilisation challenge has another aspect - the destabilisation potential in the run up to and immediate transitional period after independence. As is only too clear from Mozambican experience, this can be massive even if (as in Mozambique) the independent government nationalises little and offers jobs on basically unchanged terms to most white professionals and skilled personnel. But, as illustrated by Zimbabwe, sometimes these dangers can in large part be averted or finessed. The dangers are:

1. mass exodus of the present human capital base, i.e. white professionals, artisans, managers and entrepreneurs;
2. abandonment or deliberate rundown of much of the productive sector capacity;
3. inability (consequential on the exodus) to maintain basic infrastructure and some basic services (e.g. agricultural extension) at levels adequate to avert deterioration of production;
4. consequential export decline and (even with an inherently conservative fiscal stance) revenue implosion and budget deficit fuelled inflation;
5. lack of access to soft external resources leading - via export/supplier credit accumulation and the export/government revenue implosion - to an early external debt crisis even when at independence there had been no external debt;
6. external destabilisation operated by economic sanctions, targetted sabotage and massive terrorism.

The possible measures relating to the last threat are different enough from the economic stabilisation agenda in respect to the other heads as to be treated in a separate section. The first five have a common set of fiscal, personpower, import capacity and sectoral potential answers (or partial answers).

### Fiscal Stabilisation: Tidying and Reallocating

Namibia's tax base is already large relative to GTP and is rather highly taxed. What needs to be done is largely tidying up:

1. Restoring the personal income tax to general revenue (it is now white "second tier" revenue) but not necessarily radically revising rates and allowances at once;
2. cleaning up the Sales Tax (see also 4) to be a three to five rate, progressive to R 10,000, buoyant source of revenue;
3. modernise mineral taxation to include Additional Profits Tax (on say Papua-New Guinea model) on high profits which would raise average rate on Rossing and Oranjemund;
4. create an independent customs and excise system (and, ex definitio, leave the Southern African Customs Union): a) to allow rational import sourcing; b) to simplify imposing selective protection; c) to allow setting tariff and excise rates suitable to Namibian goals (which may not be RSA ones); d) to integrate Excise and Sales Tax; e) probably to increase actual annual cash flow.

Expenditure poses rather different problems. A good deal of it (and the bureaucrats - black and white - running it) ought to be "redeployed" (meaning terminated) in the disingenuous Bank/Fundspeak terminology. Second tier ('homelands') authorities and other administration are areas for draconic cuts with actual functions (e.g. health, education) reconsolidated back to national ministries for non-racial use. The probable departure of white South African expatriate civil (?) servants (!) will facilitate this. Probably - but not certainly - national defence and security (including police) expenditure will be less than what RSA has forced Namibia to spend on sustaining RSA's illegal occupation.

Clearly some services - education, water, agriculture - will require additional funding. Health may not, i.e. reallocation and economies of scale may well be adequate to move rapidly toward universal access to primary health care plus a rationalised hospital structure. Depending on the exact level of

defence/security costs, the Recurrent Budget could very well be in surplus by 18 months after independence if production (especially of minerals) and import capacity can be sustained.

Investment by the public sector will require external grant support and domestic and perhaps external borrowing (even if there is a recurrent surplus). Each should be estimated as to potential available, needed, prudent and a strategy to secure each devised. As to banking system borrowing a peculiarity arises. De facto Namibia will have to sell a new currency to the public (capital flight will carry off the bulk of the rand notes). Sterilizing the entire proceeds would be otiose but using them in import intensive ways would be problematic.

#### Personpower Protection and Promotion

Namibia will have the second highest number of graduates and post secondary certificate holders (perhaps 2,500) relative to population (of the order of 1,750,000) at independence of the 10 SADCC states (including itself). This is not enough, but it is a much less threatening situation than confronted Angola or Mozambique or, indeed - albeit in a less fraught context - Tanzania, Zambia and Botswana.

Further, many black Namibians (notably ranch foremen and de facto managers) are already performing roles well above their nominal 'status' and - with limited supplementary training and/or continued extension backup (especially but not only in ranching) could be promoted further.

Three key stabilisation (or decline averting) measures, therefore, are:

1. careful allocation of professional and skilled Namibians especially those returning from exile;
2. identifying capacities and supplementary training needs of Namibians who - however classified now - are de facto supervisory, skilled, para-managerial in order to train and promote them;

3. maintaining the omnipresent ranching extension services and building up parallels in other sectors.

But the more personally acceptable white artisans, managers and professionals stay at least for several years the better. (Since at the latest 1980 SWAPO has had an articulated diplomacy aimed at achieving this - and to considerable result at least with the German ancestry community and probably with settlers born in Namibia more generally.) The price of buying time and/or citizens this way includes:

- a. avoiding sharp cuts in nominal salaries and benefits for current employees;
- b. allowing an extended period to decide on future citizenship (say 5 years after independence?);
- c. making clear in practice - as well as initially stating - that private businesses and professionals will be encouraged within an openly set out set of public interest oriented legislation (i.e. analogous to Zimbabwe and Botswana even if not necessarily identical);
- d. making (and when relevant acting promptly on) a declaration that created assets (i.e. not necessarily land) lawfully acquired by present owner will be compensated for at fair price if acquired by the state and that emigrants will be allowed some (not necessarily immediate total) allowance to export effects and remit funds (e.g. via government stock paying 8% interest remittable and retired/remitted in 5 to 10 annual tranches).

This is not a minor price especially as it limits unification of salary scales and tends to slow reduction of inter-racial income inequality. But replacing departees with new expatriates would - as a general approach - raise costs and reduce efficiency and not replacing them would run the risk of massive output losses.

Many key white personnel are with companies. Keeping or replacing them turns on company relations considered below in sectoral discussion.



But new expatriates will be needed - up to 15,000 on a moderately pessimistic and at least 5,000 on a moderately optimistic scenario. These are not huge numbers, but getting the key ones fast and avoiding the crippling costs of direct hire at market rates will be difficult. Several complementary routes are worth pursuing:

1. where possible using existing Namibian ngo contacts and links - notably the Christian Council of Namibia and its members in relation to medical personnel;
2. negotiating (preferably before independence) institutional and sectoral key personnel standby agreements with international agencies (e.g. UNICEF) and countries (e.g. Sweden, Norway, Finland, Federal Germany, GDR, Canada, Netherlands) with which SWAPO has built up links;
3. identifying (again preferably before independence) a limited number of key advisors and consultants from among SWAPO's known personal and institutional (e.g. the Commonwealth's CFTC, Norway's Christian Michelson Institute) friends and negotiating both their early arrival after the elections and/or independence and funding for them.

A final stabilisation priority is ability to communicate in the most literal sense. Independent Namibia's national language will be English. A majority of Namibians (including a not inconsiderable number of white settlers who may stay) do not speak it. Large scale functional language programmes need to be designed, funded, staffed and put into operation as soon as possible (e.g. November 15).

#### Sustaining Import Capacity

Because 90% of goods used domestically are imported, Namibia's domestic stabilisation requires maintenance of import capacity (as well as changes in import composition and sourcing). That implies three priorities:

1. maintain or augment present exports (e.g. secure EEC quota access for beef and technical support for fisheries, pressure De Beers for a - say - 1.5 million carat diamond quota);

2. secure grant aid for:

- a. initial external reserve creation backing new currency (as RSA will clearly not redeem rand in convertible currency and there will probably be few to redeem);
- b. emergency to cope with survival and reintegration into production of returnees and - larger, more disadvantaged - displaced persons groups;
- c. emergency to replace asset (e.g. vehicles, rolling stock, livestock) losses at independence and to build a new harbour;
- d. human investment and social infrastructure capital and selected import intensive recurrent expenditure;  
plus selective soft or semi-soft loans for:
- e. directly productive sector projects (preferably jointly with joint venture partners);
- f. directly self-financing infrastructure, e.g. power.

This has certain implications, e.g. use of the SADCC Annual Consultative Conference umbrella, accession to Lome IV, joining World Bank (and therefore IMF) and securing transitional IDA status (as Zimbabwe did).

3. Halting leakages:

- a. create a new currency unit - say the Namib - to replace rand;
- b. monitor export (especially diamond, uranium oxide, base metal) and import prices;
- c. capital account and remittance/dividend controls at least on a standby basis;

- d. either import licensing or highly differentiated sales taxes to deter luxury consumer goods imports (or import substitution for them);
- c. perhaps a devaluation albeit the undervaluation of the rand raises doubts as to the immediate need for such a step unless designed to facilitate eroding by inflation of wage/salary differentials (as in Zimbabwe).

#### Sectoral "Keep It Going" Priorities

The first is transport. The clear gap is almost certain to be lorries and buses which have rolled off to RSA and not returned. The second is likely to be railway rolling stock since while the absolute numbers of units allocated to "SWA" on SATS - 'SWATS' division may be adequate (e.g. 50 locomotives) their age and condition is something else. Further who is to run the lorries/buses and to operate the railways needs early attention as both the road transport operators and the basically Afrikaaner railway skilled labour - foremen - managers are 90% likely leaver categories.

However, the greatest problem is port access. The legal case for RSA leaving Walvis Bay is one thing; the likelihood of its doing so quite another. No independent or even dependence diversifying political economic strategy can be run via an RSA occupied Walvis Bay. Therefore, access to a different port is needed fast.

Distance precludes more than emergency use of Dar es Salaam, Beira or Maputo and distance plus time to fill transport link gaps rules out Mocamedes and Puerto Alexandre. Luderitz is a useful secondary port but channel and basin deepening and widening would run into hard rock (literally) and the spur rail line's capacity without total reconstruction is unlikely to exceed 100,000 tonnes versus 750,000-1,000,000 odd (including petroleum) needed.

The only apparent answer is Swakopmund until a harbour can be developed at the mouth of the Swakop (confusingly not at Swakopmund). Swakopmund is on the main rail line, sheltered in most weather, with an easier access channel than Walvis Bay, dredgeable for up to 10-15,000 tonne vessels. Floating cranes, lighters, a laid up tanker grounded as a tank farm with a single point buoy,

perhaps rebuilding the jetty which could once take a North Atlantic liner on each side - these measures could provide a reasonably satisfactory port in 12-18 months for perhaps \$25-50 million.

The need for a pre-feasibility/pre-design/pre-engineering study is urgent since to use the least impracticable alternatives, i.e. Beira, Maputo, will both be costly and require massive lorry investment and logistical planning to get goods from Livingstone or Francistown to Namibia so that a firm decision is needed well before independence, i.e. during the constitution writing period when the nature of the new government will be known as the constituent assembly will presumably convert into the independence parliament.

Power and water pose fewer problems during stabilisation (albeit water is a constraint for the medium term requiring rapid forward planning if timeous implementation is to be possible). Stand-by technical assistance for key personnel (including the Windhoek recycling plant whose mal-operation would be likely to lead to dysentery, cholera and/or other epidemics) plus rapid reconstruction of the Ruacana Falls Dam-Windhoek power line and of water control facilities on the Angolan side of the Kunene are the immediate needs.

Ranching (cattle and sheep) needs:

- a. an EEC beef access quota of at least 25,000 tonnes by 1994 and 15-20,000 tonnes immediately;
- b. keeping the extension and advisory services (largely German settler manned at professional levels) going and also keeping - say - 2,000 to 2,500 ranchers on at least part of their present holdings;
- c. replacing departing cattle transport (lorries), input suppliers and livestock (which may well be taken to RSA);
- d. ensuring a viable marketing structure for karakul - possibly with a new broker between the Karakul Federation (Swakara) and the European auctions.

If 2,000-2,500 ranchers stay (out of 4,000 odd probably in Namibia in 1987/88) the herd problem could be acute but not dire. If almost all leave, then

restocking over 2 to 3 years will be a necessary preliminary to renewed substantial exports.

Fishing cannot be stabilised for several years in the output sense. However, very low catch levels over two to four years may do a more basic stabilisation job by allowing regeneration of the stocks depleted by slaughter fishing. A core rock lobster and white fish industry based on Luderitz (and a domestic Namibian operator) can be kept going. But even in the event of RSA's leaving Walvis Bay at once, most vessels (and their largely white and Cape Coloured owners/crews) will probably have sailed to Table Bay and the South African tinning/mealing plant operators stripped and abandoned their factories.

Mine output stabilisation requires competent operators able to sell the output. There are three core mines/groups: Consolidated Diamonds Mines (De Beers); Rossing uranium (RTZ albeit Namibia will inherit 51% of the equity vote from 'SWA'); the Tsumeb group plus the new gold mine (Consolidated Goldfields). A few other middle size mines exist but could be agency managed by the "big three" if necessary.

De Beers has virtually offered a Botswana type deal which means - taken literally - higher taxes, a free 50% government equity share, Namibianisation, influence over production levels and forward planning, independent valuation of output before sale via De Beers Central Selling Organisation. SWAPO has independently implied such an approach is not unnegotiable.

Tsumeb poses more problems. The gold mine and the key Otjijahase base metal mine are post-mandate revocation and thus unlawful (unlike CDM and Tsumeb proper). Congold is a much less flexible (long term profit protection oriented ?) partner than Anglo-De Beers. Unless a Minarco takeover of Congold (UK) and a splitup selling the RSA interests without the Namibian happens very difficult negotiations (or an urgent need to acquire a new operator) are likely.

Rossing is even more problematic. Rossing is post-mandate revocation; RTZ is a very difficult group for governments or workers seeking mutually beneficial and equitable contractual arrangements. The uranium oxide market is complex, unstable and depressed. On the face of it a new North European operator and a drive for new term contracts (e.g. with Federal German and Asian atomic power

companies) would appear the least bad way forward.

Finance cannot be stabilised without structural change. A central bank is needed. So is a restructuring of the existing (public sector) housing and development banks - in the latter case dividing the lending and operating group management functions. The development banking sector might initially be joint venture with - e.g. - Commonwealth Development Corporation and Namibian commercial bank participation. In the commercial banking sector if the Namibian units of what were Barclays and Standard Banks RSA subsidiaries were to be transferred back to Barclays and Standard London these (perhaps as joint ventures) are the logical initial Namibian commercial banking core. Either they or a Zimbabwe merchant bank should be encouraged to set up a (possibly joint venture) Namibian merchant bank. A Namibian Insurance Corporation (not necessarily initially on a monopoly basis - indeed preferably not until it had gained experience) is needed. Investment in it by other financial institutions and a technical/managerial partner (an established African National Insurance Corporation? Their Indian counterpart? A European reinsurance company? An international broker?) would appear desirable. The Central Bank should be used as a focal point and leader in designing and developing the sector as well as in regulating it and might be a suitable shareholder in some or all of the joint ventures.

Health and education need immediate restructuring and expansion of access but a desirable starting point is keeping the not inconsiderable present physical and personnel resources functioning. In the case of health this will require replacement managerial and doctor level personnel and a closer collaborative relation between the government and Christian medical services (whoever formally owns the facilities and however financing is handled) and in education rapid retraining/upgrading of the large but, in a majority of cases, very ill-trained black teaching cadre.

Government proper has been discussed under personpower and fiscal heads. As efficiency of operation, cost saving, dismantling of apartheid and the expatriate South African personnel most likely to leave overlap, this may be more a reconstruction than a cutting challenge. The exceptions are the political and security cadres of the 'homelands' and some elements of the SWA armed forces and police. If simply fired they will be a ready-made source of recruits for a Namibian variant of Mozambique's RSA run and hired armed

bandits. But there do not appear to be any efficient (producing something useful) and fiscally acceptable alternatives.

### III.

#### Recovery: Restoring/Augmenting Output, Employment, Revenue and Import Capacity

The Namibian economy has recovery and growth potential within its present technical and (abstracting from apartheid elements) structural patterns. This can be seen by a comparison to what has been attainable in Botswana. There are at least four good reasons to seek to capture at least some elements of this upside potential within existing structures:

1. increasing employment (and self-employment) with a positive poverty reduction impact;
2. augmenting government revenue needed to broaden basic service access and to begin major structural transformation;
3. supporting import capacity to ensure present availability of basic consumer goods and production inputs as well as part of the massive capital goods requirements for structural change;
4. creating a climate of success and confidence (domestically and externally) from which to mount medium and long term action.

In practice the measures sketched under stabilisation would - if and as successful - probably lead to 4 to 5% annual output growth at GDP level from the end of the second or third year of independence. (That assumes for the moment the absence of effective RSA destabilisation.) What are sketched below are certain additional measures.

Cattle - restocking, building up new markets beyond EEC, selective cutting and marketing to maximise value, recreation of the dairy industry, creation of co-operative or autogestion ranching capacity are practicable 2 to 5 year targets which could raise effective earnings at national level 50% and at worker level at least 100%.

Karakul - finding a partner for market promotion (using the fact that karakul are not an endangered wild species) and also developing wool and lamb/mutton markets as complements to karakul pelt sales do appear feasible.

Crops - raising grower prices (depressed by RSA dumping), identifying and applying relevant regional research findings (e.g. via SACCAR, the SADCC sorghum/millet programme and other SADCC agricultural sector activities), building up small farmer access to extension - inputs - transport - markets (a la Zimbabwe), spot irrigation (e.g. around boreholes on ranches) are possible 2 to 5 year steps which in the North and perhaps the Otavi and Tsumeb areas - could lead to substantial output and (more crucially) low income household income gains as well as reducing the 150,000-200,000 tonne annual food import requirement (slightly over half grain). Oilseeds, cotton, maize (where ecologically suitable), tomatoes (for fish tinning) and tobacco may deserve special attention because of their light industry actual or potential linkages. But the ecology is unfriendly enough and the initial data base sparse enough that while potentially very valuable on the rural income and self-employment front such ad hoc marginal structure modifying initiatives can neither raise overall GDP by more than 5% odd nor come anywhere near full food self-sufficiency (which may not, in fact, be a sound objective for Namibia especially once economic transport links to Zimbabwe exist).

Fishing can gradually be rebuilt to perhaps 500,000 tonnes a year from 1995. That requires new vessels, newly trained crews, largely new processing plants and refrigerated stores (with much more freezing, chilling and tinning and less fishmeal in their output mix) and adequate (joint venture ?) external marketing arrangements as well as effective deep sea economic zone stock control, licensing and royalty collection. As with meat, domestic market buoyancy can be expected if there is a broadly based increase in real incomes. But if there is a healthy wholesale and retail sector (private, co-op or joint venture) with access to refrigerated lorries, small cold rooms and cold chests no major public policy initiatives on the distribution side appear necessary or even very prudent.

Mining is diverse in problems and potential. In diamonds a clear assessment of reserves (probably much higher than believed with the potential in the Northern zone just south of Luderitz and the Orange Bank upstream from present



workings where a new operation is being begun particularly under-recognised) is needed. From that a rational (for Namibia and the local producer as well as De Beers globally) production plan and output target (say 1,500,000 carats plus or minus 250,000) can be negotiated. As present output is ca 1,100,00 to 1,150,000 this would substantially increase production, exports and state revenue.

Uranium oxide world market prospects need assessment first to determine marketing strategy for Rossing and second to assess when (probably not before late 1990s start-up and mid-1990s initial investment) a second mine should be developed.

Base metals pose a greater challenge. New mines must be developed beginning at the latest in 1991-2 to avert a significant and accelerating fall as present units run out of reserves. Probably - not quite certainly - the deposits have been prospected and proved, but the dubious status and uncertain future of Namibia plus the 1975-85 base metal depression have precluded development. Probably whoever is manager-joint venture partner at Tsumeb should play a leading role as most new mines will feed the Tsumeb processing complex and offset the decline in output from its older mines.

Gold may be a growth area - the first step is to secure and assess prospecting and proving data and the second to look for partners. The preferred partners presumably would be Canadian or Australian to diversify away from the RSA connection.

For different reasons, coal and gas are probably structural change not recovery heads. The main coal deposit is well suited to use a spur line from the Trans Kalahari, but world coal market prospects make 2000 a plausible date for that line's opening. A 100,000 tonne mineral processing industry oriented coal mine using heavy lorries (requiring 200 km of new highway) would probably be non-viable. The offshore Kudu Gas Field is probably commercially viable but only in a \$400-500 million collection and chemical production (e.g. ammonia/urea) complex with at least a six year lead time. Namibia can expand Ruacana and related capacity to meet power needs past 2000 so neither coal nor gas would seem to be better held in reserve than used for electricity generation.

Light manufacturing including agro industry (oddly created with no agro base!) and light engineering can be revived and extended to cement, certain building materials and probably textiles moderately rapidly if import capacity (operating inputs/spares), skilled personnel, consumer incomes, a healthy construction sector and management exist. Either private or joint venture management would seem appropriate in the medium term given the severe constraints on public sector professional and managerial personnel and institutional capacity and the very large public corporation sector Namibia will inherit from RSA.

Employment creation can be furthered and would both reduce absolute poverty and encourage secondary crop and manufacturing production (as well as medium to small scale commerce and transport). Labour intensive approaches to construction and seasonal supplementary rural jobs (on useful small scale infrastructural and production support work - as in Botswana) seem to deserve flagging. As noted there should be a not insignificant multiplier effect in some parts of agriculture, manufacturing and commerce.

If the economy is proceeding relatively well and South African destabilisation is low tourism may fall in the recovery sector. Small scale developments at game parks, hot springs, scenic attractions, beaches and fishing points would be manageable by the domestic private sector with an external marketing partner. It could generate perhaps \$50 million gross exports a year (\$25 million net?) and 5,000 jobs - secondary but useful (i.e. 2 to 3% of exports and perhaps 1% of the would-be economically active population). These figures include expatriate resident tourism as it would otherwise go abroad. A side gain would be in making Namibia more attractive to expatriates which so long as they are needed is a marginal but not negligible consideration.

#### IV.

##### Toward Structural Transformation

There is no clear-cut time sequence among stabilisation, recovery, structural transformation. At least four priority stabilisation measures are pretty clearly structural: new port, dismantling second tier expenditure and structures, new currency, independent customs system. The same could be

argued for broader access health, education, water and extension service access. However, a number of agenda items are clearly structural and medium term (i.e. either not necessary and/or probably impracticable in the short term).

In transport these include:

1. regional links (road to Zambia, Angola and - via Botswana - Zimbabwe largely by upgrading; potentially the Trans-Kalahari to Botswana/Zimbabwe; coastal shipping to Angola and perhaps the India Ocean SADCC ports and Mombasa);
2. some upgrading and rationalisation of the domestic road/highway grid (albeit, even if for different reasons, the settlers and RSA have created 80 to 90% of an adequate network);
3. evaluating the future of rail which probably should be limited to the Coast-Windhoek, Windhoek-Tsumeb and perhaps Windhoek-Karasburg lines (plus if built the TK and a spur to the Aranos coal deposits);
4. building a deepwater port with bulk handling and container facilities at the mouth of the Swakop (as identified in the last TK engineering study) to replace Walvis Bay which is a much poorer location and upgradeable - if at all - only at constantly rising costs and evaluating the potential of Luderitz as the main fishing/fish processing/fishing fleet construction and repair base. (The problem is that Luderitz is possibly too far South relative to much of the fishing area; otherwise port management and regional development considerations would clearly point to such a strategy as channel and basin limitations would not constrain fishing vessels nor containers loaded on coastal barges for trans-shipment.)

Industry can be built on fishing, agriculture (crops and ranching), basic consumer goods, simple and bulky construction inputs, light engineering (including spares and heavy maintenance) and smelting/refining to perhaps 15-20% of GDP (10% now - half smelting/refining) by identifying and pursuing the viable possibilities in each. There may be need for specialised infrastructure and some protection (albeit half - meat, fish, metal, leather

and leather goods would be for export and should be able to be fully competitive). In practice for ten years that agenda is likely to be as much as personpower and management constraints will allow. Longer term strategic planning could seek breakthroughs but as Namibia's raw material base is highly specialised, its labour unlikely (barring economic disaster) to be particularly cheap in cost per unit produced and its home market narrow where the breakthroughs might lie is not self-evident.

Chemicals from natural gas, chemicals from coal (if that industry makes a comeback as it may because of its inherently better feedstock base compared to petrochemicals) and perhaps leather products (beyond leather and shoe parts) are possibilities. So - probably in a SADCC regional context - could be selected light engineering products (whether for consumer or producer use) directed to regional as well as domestic markets.

Agriculture can never be the driving force of the Namibian economy. The water to make it so does not exist and/or is too far away. But small and medium scale irrigation from the Kunene, the Okavango and the Orange as well as from seasonal or dead-end internal rivers (e.g. as now at the Hardap Dam scheme under Mariental and potentially on the less canyoned stretches of the Fish River) deserve serious exploration and assessment as does spot irrigation from ponds (e.g. near Tsumeb), boreholes (on ranches) and dugouts (seasonal water collection dams back-filled with sand to limit evaporation). Care must be taken as Namibia's soils are fragile, water flows and stocks are not clearly differentiated nor safe offtake levels known and careless land handling could crack hardpan protection from underground salt lakes creating new Etosha Pans (notably in the Oshana country which is the heart of present crop production).

Similarly improved seed, animal powered, low tillage (to limit evaporation), low input, drought resistant cultivation research and extension should be able to raise present yields per hectare several fold (how many depends on just how low they are - the present data are both sketchy and open to multiple interpretations).

One prerequisite for such a transformation is a small farmer oriented extension and support service comparable to that now serving large ranches. Another is a transport and commercial (inputs to sell goods to buy) network

which may need in part to be public because less densely populated or more inaccessible areas may not be privately attractive even if national economic and social benefit/cost ratios are satisfactory.

The key priority - beyond large scale ranching - is generation of decently remunerative, moderately productive family employment opportunities in farming (probably largely mixed cropping/ranching) and supporting services plus input production. Assuming a 40% desired economically active ratio Namibia needs about 700,000 decent employment/self-employment opportunities growing perhaps 3% a year. Outside small scale agriculture and services goods for it to it - including ranching (with some diversification into cropping) at 75,000 - the realistic medium term potential does not appear to be much above the 300,000-400,000 range even making a fairly generous guesstimate for genuinely productive (and absolute poverty averting) urban "informal". That implies a need for at least 300,000 economically active (say 700,000 household members) in small scale agriculture and supporting activities which requires a net small scale agricultural output of not less than \$250-350 million (including production of food and housing for own use) versus at most \$50 million now. That is a very challenging goal - e.g. 150,000 additional tonnes of grain would be worth \$15-20 million while \$100 of food per person (including sales to 1,000,000 plus non-farm residents at retail prices of say \$200-250 per person) \$175 million now and perhaps \$235 million by 2000. Adding in possible non-food crops and a contribution to livestock exports at say \$15 and \$35 million plus \$50 million in net value added of supporting services/inputs does reach \$335 million by 2000 but all of these estimates are at the outer limits of realistic optimism and will require systematic data collection, research and experimentation beginning at the latest in 1992 for there to be any chance of meeting even the \$250 million lower "need" level by 2000.

Water evidently interlocks with agriculture. There are very real total supply constraints and even tighter cost ones. Luckily on major rivers power and water may often be joint products at least up to a point, but this does not bypass either the cost of moving water from border rivers to central plateau towns and mines nor the real technical and financing problems of keeping supply expansion apace with that of demand. (It is already lagging for Windhoek and Rossing - Arandis - Swakopmund - Walvis Bay are overdrawing on present sources thus lowering the water table in an unsustainable and highly undesirable manner.) Broadening access to safe drinking water (for people and

animals - the two cannot be separated in rural Namibia) is probably easier if given personnel and policy priority. Short distance pipelines from small dams to complement borehole safe drawing potential should be able to meet this demand in almost all habitable areas. Botswana by and large demonstrates this point albeit Namibia can profit from its false starts as well as its relatively successful overall record.

External trade needs to become more diversified as to sources, markets and export products and less dominant in respect to total market and supply source shares. The latter depends on building up viable home market agriculture and industry which in turn is linked to market broadening by reducing absolute poverty (now perhaps 60-70%). An independent tariff policy with no - or selected regional - preferences should help diversification as should ACP membership. Selective two-way frame trade agreements in a regional or a broader perspective might help. (Angola needs meat and Namibia petroleum products - neither is able to afford to increase imports unilaterally without a realistic prospect of export gains. Neither the global meat nor petroleum markets are truly free access, constant price markets. Thus on second best principles both can gain from a deal at world prices. The same approach in - e.g. - fish and vehicles might be viable with India or Brazil and with, e.g. live sheep or goats and petrochemicals with Saudi Arabia or Kuwait.)

A genuine Namibian (private, public and/or joint venture) external trade capacity is needed. Outside price monitoring by governments and hired agents has its uses, but also its limits. The metal marketing companies of Zambia and Zimbabwe and the Botswana Meat Commission (which Namibia, like Zimbabwe, might wish to contract as a selling agency for export sales to EEC markets) have built up expertise fairly rapidly. Namibia should emulate them but also see what can be done (perhaps initially by a joint venture with a trading company practising genuinely global sourcing?) on the import side. TNC's transfer price and small domestic importers do not have adequate information to get the "best attainable prices" - both a Namibian orientation and commercial expertise plus access to data and scale are needed.

Mining in one sense cannot be structurally adjusted. It is inherently an export oriented sector whose primary contributions to the economy will remain import capacity and tax revenue plus a base market for light engineering and construction materials. What can be adjusted are the uses of the import

capacity and state revenue and - up to a point - the availability of light engineering, heavy maintenance and construction inputs.

The forward linkages to manufacturing are limited - incremental more than structural because of the actual mineral product mix. Strategically as well as economically Namibia should eschew uranium processing beyond oxide. Diamond cutting at the top end of the market is skill and (working) capital intensive and at the bottom is cut-throat competitive in murky markets. Lead, zinc, tin are not major inputs into the products that use them. Whether copper refining and product production would be viable is very unclear; that it would have a high opportunity cost and crowd out other investment possibilities for little employment gain is very clear.

Gas and coal may be more promising. So too for petroleum if exploration (which should be encouraged on an explorer's risk, development buy-in, profit share, additional profits tax basis as pioneered by the Commonwealth's Technical Assistance Group) locates a viable field. But the first two are long term and finance intensive and the last initially either a new export or a base for a joint Namibia-Botswana refinery.

Fuel in Namibia is a poverty (and women's workload) alleviation and an ecological protection priority. In relatively densely populated rural areas the environmental degradation, absolute fuel shortages and labour cost are already marked while in Windhoek wood and charcoal costs are very high (probably higher than electricity or bottled gas or coal) and there is a spreading deforestation and debushing zone. Silviculture and woodlots can probably be developed to solve the rural and Northern town fuel challenge. It is doubtful they can meet the problems of Windhoek or the coastal towns. Here the capital and learning costs of substituting electricity, kerosine and/or coal need to be assessed and combined wood and other fuel production, supply and promotion strategies need to be devised and made operational (as is now being done in Maputo). In respect to poor households and ecology this is not a trivial issue. Central Namibia is seasonally cold; fuel for cooking and heating can absorb 25% of low level monthly wages in the cold season. Namibia is largely borderline savannah/sahel/desert country with a very unforgiving ecology which can make the damage from tree and bush denudation irreversible.

Basic services (education, health, extension) structural adjustment needs to begin during (and to achieve success in) stabilisation. However, achieving universal access and patterns appropriate to Namibia will be a much longer term process. Fortunately it is also the sector in which SWAPO has the greatest experience (largely quite successful) and planning, experimentation, adaptation capacity.

Poverty reduction will turn on five factors:

- a. overall growth so that the resources are available;
- b. growth of employment/self-employment and low income worker productivity to provide basic personal/household consumption needs;
- c. universal access to basic services (including extension, water and - for this purpose - affordable fuel) both in terms of direct human condition gains and potential to produce/earn more;
- d. incomes (especially minimum wage) and fiscal (probably especially expenditure) policy;
- e. effective participation of poor people in self-organisation, broader ngo's (e.g. trade unions) and the macro and local political processes.

It cannot turn - except for the handicapped and isolated (young or aged without relatives to support them) or those being reintegrated into production after drought or war disasters - primarily on consumption transfer payments because the resources to provide these and to make possible general access to more productive employment and self-employment plus basic services are simply not available. As the Swahili proverb puts it - give a man a fish and he will eat for a day, give him a net and he will eat all his life. (Perhaps needing an addition on helping him/her to learn how to use the net!)

Women's participation in society and in production is a major economic agenda item - or should be. Female headed households are usually poor; women disproportionately lack access to basic services and are under-represented among decision takers. These factors will not correct themselves nor will token "women's programmes" do much to overcome them (let alone pastiche Women,



Community Development and Sport Ministries). What is needed - and to a degree beyond that in almost all African polities - has begun to exist in SWAPO is both a significant number of middle as well as higher level women decision takers, managers and professionals and serious analysis of gender issues in formulating programmes in each sector. For example, if women do collect fuel and water then they need to be centrally involved in silviculture and small scale water supply management and maintenance; similarly if women-headed rural households are poorer because of lack of animal power (and labour power) and insecurity of land use rights there are clear implications for animal acquisition access (loan or grant) and land use right reform.

## V.

### Stabilisation Again - Combatting Destabilisation

South Africa seeks a region safe and profitable for apartheid. Its tactics vary - e.g. mass terrorism and transport sabotage in Angola and Mozambique; using the resulting transport vice to capture markets, block attempted economic disengagement and deter other anti-apartheid initiatives by Swaziland, Malawi, Botswana, Zambia and Zimbabwe - but the two strategic goals are basic. South Africa's intentions for Namibia are no different. South Africa would probably prefer a Namibia which accepted a Walvis Bay/rail link transport vice as a binding constraint on policy and continued the artificial economic dependence on RSA so carefully built up by policy - not market forces - since 1916. With exploitation as before but freed of war and 'homeland' and buy a support class costs RSA would - at least economically - profit from Namibian independence. At least one of the Gang of Five (i.e. Contact Group) foresees and wishes such a result perceiving Namibia as the new Swaziland.

That scenario, however, is not what SWAPO intends or will attempt to do. If the agenda in the foregoing pages (or any other consistent with the December economic policy statement) is pursued and proves practicable, South Africa's transport and economic leverage will be eroded rapidly and South Africa's preferred option will - unless imposed by force - be unviable. Given the nature of the apartheid state and its perception of its interests and survival needs (however abhorrent or even maldefined they may be), there is little chance South Africa will accept such a reverse. It is likely to move toward a

destabilisation programme similar to (though not necessarily as intensive as) that which it has so tenaciously, mendaciously, brutally and - up to a point - effectively visited on Mozambique since mid-1981.

South Africa has already - whether as a pre-independence destabilisation plan of its own or consequential on shorter run objectives - created the infrastructure for intensive, systematic, rapid economic and broader destabilisation of Namibia. First, it has created the purported external debt which would be crippling if accepted and might damage external financial relations if repudiated. Secondly, it has created a budgetary shambles giving the impression to the superficial observer that Namibia is a fiscal 'basket case' not worth assisting. Thirdly, via the 'Representative Authorities' it has created an administrative monstrosity. Fourthly, it has created a 30-40,000 household black middle class with consumption levels of 10-40 times the black average. In respect to its skilled and professional members this will create future income distribution and fiscal problems and/or bitterness at the loss of (not absolutely very high) incomes 'won' under colonialism. From its ethnic political, 'homeguard' and Koevoet type fractions plus its Angola San mercenaries and UNITA cadres/camp followers it is enrolling as Namibians and will doubtless leave behind in an alien, hostile land. It can provide the front leadership and striking forces of an orchestrated insurgency campaign run from Pretoria with a stronger starting point than the MNR had and - if the economy goes badly and real incomes of the skilled and professional fractions are rapidly eroded - with a potentially broader political appeal. Fifthly, by reinforcing its practical position in respect to Walvis Bay it has ensured that it will have a choke point to 'control' Namibian policy or to destabilise a l'outrance until alternative port facilities are operational. Sixthly, the sea bastion of its new Orange River Line at Alexander's Bay is within mortar or launch distance of Namibia's premier economic asset - Oranjemund - while the Swakop River 'boundary' of the Walvis Bay 'enclave' is in similar range of the logical alternative harbour - Swakopmund.

Since the infrastructure for the contingency already exists, the first strategic and policy responses should be to dismantle or neutralise it. First, the 'debt' should be repudiated now (very little is in fact held outside South Africa) with the International Court opinion and both post-colonial and post-revolutionary precedent marshalled in a supporting brief. Second, the budgetary reconstruction priority (which exists in any

case) should be underlined and, third, so should that for administrative reform and restructuring. Fourth, the professional and skilled fractions of the black middle class must be socially and politically mobilised and - if at all possible consistent with reducing inequality and avoiding fiscal disaster - their individual losses of present income levels minimised. The other fractions pose a straight security (or demobilisation/conversion) problem and not a political economic policy challenge. Fifth, Swakopmund must be reactivated at the earliest possible opportunity. Luderitz used as an interim fishing base and road links to Angolan and (via the Zambia - Botswana - Zimbabwe - Mozambique - Tanzania rail systems) to Indian Ocean ports given priority to establish a fallback position from Swakopmund. Sixth, the cost to South Africa of attacking Oranjemund and Swakopmund needs to be maximized. In large part this is a diplomatic policy problem, but relevant political economic choices do exist - e.g. a De Beers joint venture presence at Oranjemund, a Netherlands or Nordic interim senior port management at Swakopmund.

Such action could reduce the effectiveness - and raise the cost - of South African destabilisation. It can be planned - and should be publicised - now, for implementation at independence. Detailed responses to particular patterns of destabilisation are harder to articulate now and probably not desirable to publicise in detail in any event. However, they have a claim to priority consideration.

This is not an adequate answer but it is the most Namibia or Namibian political economic policy can supply. The real need is to end the apartheid state and the second best to keep an international boundary patrol/trip wire force (whether a reduced UNTAG or a Commonwealth force) which South Africa will hesitate to thrust aside because of international reactions. The states with the greatest leverage on the first best solution are notoriously unwilling to use that leverage in full; some at least (vide the amputations carried out on UNTAG) are unlikely to accept even the bill for the second (although it may be just within the realm of the politically feasible). Thus the need for a third best damage limitation strategy as outlined here.

### Envoi

For agendas too even the longest road must be traversed step by step. This paper is in fact not a first step (even for the present author). It builds on 15 years of SWAPO, UNIN and other analysis of and statements about feasible initial and longer term goals and means to achieve them. Nothing comparable would have been possible for most African states a year before independence either on the data and analysis side or on having a clear enough liberation movement set of articulated goals to build a coherent policy agenda potentially relevant to achieving them.

That said, any such agenda drawn up in 1960-64 or 1975-80 would have been both more optimistic and ambitious and more radical and challenging to the world economy as it related to the country about to be independent. (That can be said of SWAPO's 1988 statement too in contrast to 1975 Mozambican ones or even the initial perspectives drawn by Jerry Rawlings and the late Thomas Sankara in the 1980s.) Why?

1. The world economic environment is hostile to small, poor, fragile economies to a degree far greater than was true in the 1970s or apparent in 1980;
2. the environment confronting a neighbour of RSA is peculiarly dangerous and renders rapid, selective dependence and vulnerability reduction and building up counters to destabilisation absolute priorities;
3. radical rhetoric (albeit not all radical policy if carefully and economically presented and defended) and open root and branch refusal to accept at least some main lines of the "new conventional wisdom" do block access to adequate (or even moderately - as opposed to hopelessly - inadequate) flows of soft external resources and therefore have a high opportunity cost;
4. over-optimism about how much can be done how fast has high costs - not least psychologically, politically and socially - and is distinguishable from having clear and major long term goals and firm, operational commitments to moving toward them but also a relatively cautious and highly prioritised set of initial and medium term targets;

5. the economic and strategic realities so brutally imposed on Southern Africa over 1980-1988 caution a deliberate "long march" not a "dash for death or glory" approach. The epitaph on one country's first serious strategic and would-be operational planning exercise as "the plan of all our dreams" is poignant but also elegiac and no would-be practising politician, decision taker or advisor consciously sets out to write his own elegy when trying to formulate an applied action agenda.

In any case the agenda - if achieved - is not so modest or marginal as it may seem. It would put Namibia on the road to being another Botswana in resource availability and basic services terms which (as witnessed by human condition as well as economic indicators) is by no means a negligible target. And as a set of first steps it would make most subsequent ones easier not harder. One lesson of Africa since 1980 is that radical political economic goals can be furthered (up to a point) and regression from what had once been won limited only when at least a certain degree of cautious, selective radical pragmatism is built into the operational strategy. Survival is not enough but it is usually a necessary precondition to doing anything more; sought (consciously or inadvertently) martyrdom is rarely an optimal strategy for a state or its leadership and a dash for instant transition to socialism with instant disengagement from South Africa's economy and economic actors plus maximum distancing from all aspects of the capitalist world economic order would for Namibia and for SWAPO constitute sought martyrdom. Judging by 1981-1988 SWAPO policy statements and interviews by leaders, radical pragmatism and step by step gains not a glorious martyrdom are what SWAPO wants and presumably would wish its external friends to advise on ways and means toward achieving.

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#### Author Note

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